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MEMORANDUM

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TO: Docket Control
Arizona Corporation Commission

2007 MAR 23 A 10: 58

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: March 23, 2007

Arizona Corporation Commission
DOCKETED

MAR 23 2007

DOCKETED BY

RE: IN THE MATTER OF THE APPLICATION OF NORTHERN ARIZONA ENERGY, LLC FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING CONSTRUCTION OF A 175 MW NATURAL GAS-FIRED SIMPLE CYCLE GENERATING FACILITY AND ASSOCIATED TRANSMISSION LINE TO THE WESTERN AREA POWER ADMINISTRATION ("WAPA") GRIFFITH SWITCHYARD. DOCKET NO. L-00000FF-07-0134-00133

On March 2, 2007, Northern Arizona Energy, LLC ("NAE") applied for a Certificate of Environmental Compatibility ("CEC") for constructing a 175 MW generating project, including the associated transmission system, ("NAEP") in this docket. NAE also petitioned the Arizona Corporation Commission ("Commission") to exercise the Commission's discretion pursuant to A.R.S. 40-360.02, for good cause to allow full consideration of the Application for the CEC for the proposed NAEP notwithstanding the omission of filing System Impact Studies ("SIS") 90 days in advance of the filing of such Application. Among others, the SIS filing provides as follows:

"The SIS for any new facilities shall include a power flow and stability analysis report showing the effect on current Arizona electric transmission system. Transmission owners shall provide the technical reports, analysis or basis for projects that are included for serving customer load growth in their service territories."

Per NAE's agreement with Western Area Power Administration ("WAPA") to perform the aforementioned power flow and stability studies signed on December 22, 2006, WAPA is in the process of performing these studies. According to NAE, WAPA could not complete these studies in time for NAE to submit the results of SIS 90 days prior to filing its Application in this docket. NAE is projecting the completion of these studies in the next 60-90 days. Hence, NAE is seeking a waiver of the required 90-day period before filing this Application.

Commission Staff ("Staff") has reviewed NAE's request for the said waiver, and has considered the preliminary discussions NAE has had with WAPA regarding the expected lack of impact of NAEP on the adjacent system transmission interconnection. Based on this review Staff recommends that the requested waiver be granted to NAE if the Commission so chooses to exercise its discretion in this matter.

However, Staff recommends that the Commission condition its waiver on NAE's agreement to waive the 180 day period for issuance of the CEC and the statutory timeframe for granting the CEC. In its Petition, NAE has agreed to an extension of the

180 day period for issuance of the CEC and the statutory time period for grant of its CEC for a reasonable period of time as may be necessary due to the delay in submitting the SIS.

The waiver of the 180 day timeframe is necessary in order to allow Staff sufficient time to review the SIS once it is submitted by NAE and also allow the Arizona Power Plant and Transmission Line Siting Committee ("Committee") sufficient time to review Staff's analysis of the SIS. Therefore, Staff also recommends that the deadline for issuance of the CEC by the Committee be extended through November 27, 2007, or 90 days after the SIS is submitted to Staff by NAE, whichever is later.

Staff believes there is good cause to grant the waiver in this case because the Applicant provided Staff with advance notice of its filing and its reliance upon WAPA to complete the SIS. Staff further clarifies that this recommendation to grant the requested 90-day waiver should not set a precedent in future cases before the Commission.

EGJ:PKB

Originator: Prem Bahl

Service List for: Northern Arizona Energy Project
Docket No. L-00000-07-0134-00133

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